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THE GENERALIZATIONS OF ECONOMIC HISTORY

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Economic history is peculiarly dependent upon some division into periods. Schemes are, of course, incomplete, and their shortcomings are peculiarly evident in this field. They can hardly become the basis of sustained historical narrative, but they do serve to bring the larger conceptions of evolution into close touch with history and they vitalize research by emphasizing the problems which are most influential in our thought. A scheme helps us to think genetically and prevents us from losing sight of the deeper speculative problems involved in the study of a subject whose detail presents the bewildering diversity opened up by consideration of the homely affairs of daily life and work. The scheme should be the means of relating general notions to the concrete phenomena of history. It is essential, therefore, that special effort should be made to frame any scheme with reference both to the philosophical problems and to the course of events. Unfortunately the schemes thus far published have been narrowly pragmatic. Each phase of economic development has been made the basis of a division into periods.¹ With reference to each particular purpose these schemes are valid, and it is hardly possible that any single division into periods will be sufficiently comprehensive to be entirely adequate. Various schemes will always be necessary. It is none the less essential to recognize that some categories possess a broader and more general significance than others, and that it is wise to build up these broader generalizations into a comprehensive body of doctrine. The periods usually associated with Professor Schmoller's name are of this broader type. They must be regarded as a note-

¹ K. Bücher, *Die Entstehung der Volkswirtschaft* (Tübingen, 1898); translation by Wickett, *Industrial Evolution* (New York, 1901); W. Sombart, *Moderne Kapitalismus* (Leipzig, 1902); R. Liefman, *Beteiligungs und Finanzierungsgesellschaften* (Jena, 1909).

worthy beginning despite the naïveté of some of the underlying conceptions and the infelicity of some of the phrases. Schmoller's conception of the evolutionary growth of society was developed with the evident intention of placing the mercantilistic policies of the seventeenth and eighteenth centuries in a historical setting, and for that reason he did not endeavor to formulate a more complete scheme of social growth.¹ His chief concern was with the transition from the Middle Ages to modern times. The problems of the earlier stages of economic life are not fully treated. The scheme is fragmentary and incomplete. It is a suggestion of the lines of thought to be pursued rather than a completed body of doctrine on the subject of social evolution. Schmoller's famous essay is primarily occupied with the antithesis between the "town economy" of the Middle Ages and the "national economy" of modern times.

The thesis of the essay is comprehensively stated:

In every phase of economic development, a guiding or controlling part belongs to some one or other political organ of the life of the race or nation. At one time it is the association of the kindred or tribe; at another the village or mark; now it is the district, and then the state or even a federation of states, which plays this part. . . . Of course, it is not the only factor that enters into the explanation of economic evolution; but it appears to me the fullest in meaning and the one which exercises the most penetrating influence upon the various forms of economic organization that have made their appearance in history. In association with the tribe, the mark, the village, the town (or city), the territory, the state, and the confederation, certain definite economic organisms have been successively evolved of ever-wider scope: herein we have a continuous process of development, which, though it has never accounted for all the facts of economic life, has, at every period, determined and dominated it.²

The earlier stages may be found in the classic world and also in the early mediaeval world; it is thus a matter of some uncertainty just when Professor Schmoller intended to begin his account of this "continuous process of development."

¹ G. Schmoller, *Studien über die wirthschaftliche Politik Friedrichs des Grossen*, September 30, 1883. Part I has been translated by W. J. Ashley under the title, *The Mercantile System and Its Historical Significance* (New York and London: Macmillan, 1896), and various reprints.

² Schmoller, *The Mercantile System*, p. 2 (New York, 1910).

The relation between the civilization of classical antiquity and the Middle Ages soon became, in Germany, the subject of a considerable polemic literature. Classical students endeavored to show that the fall of Rome had been followed by a real decadence in western civilization and an actual regression. The economic historians maintained that there was an essential continuity in the process of history and that the civilization even of the Middle Ages represented an advance over the civilization of Greece and Rome. The most significant statement of the case of the economists was Professor Bücher's *Industrial Evolution*.¹ For the first of Schmoller's major stages in development, the "village economy," Bücher substituted the conception of a "household economy." The characteristic feature of primitive society and the civilization of Greece and Rome was, in his view, the patriarchal family. He uses the word "household" in this sense: it includes a group of kindred and usually a considerable number of dependents and slaves. The city-states of classical antiquity were loose associations of such patriarchal households, and, though the political unit was indeed the town or city, the economic unit was this extended household.

There are many historical difficulties involved in all these stimulating phrases. Bücher's term "household economy" is not an inapt characterization of the town life of the early classical period, but it requires no small stretch of the imagination to apply the idea to Imperial Rome. In Schmoller's conception of a "town economy" there is a grave difficulty involved in his emphasis upon the desire to become self-sufficient, upon the "local economic selfishness," and "the struggle for self-sufficiency and independence." The description of the "national economy" is couched in identical language. There is no doubt an element of truth in all this characterization, but there is something omitted; something not easily defined, but none the less vital to the understanding of the whole. The detailed history of these periods cannot wisely be poured into Professor Schmoller's molds.

Metaphysical difficulties are closely related to these historical infelicities. It is not evident just how we get from one stage to

¹ K. Bücher, *op. cit.*

the next. The "town economy" gives way to the "territorial economy" simply because the territorial princes who used to be weak and insignificant have become strong. The only explanation of why the territorial prince became strong is "that the necessities of real life were relentlessly driving society toward territorial organization" (p. 15). It would seem that the vital thing to discover and describe would be these "necessities of real life." The state intervenes as a kind of *deus ex machina*. Whenever any change is to occur some newly constituted authority arises and carries out the social transformation. Such a series of successive changes is hardly the description of a spontaneous evolutionary process; it is a creation by fiat upon an instalment plan. It is not a rational development, but an accomplishment of brute force conceived as external to the events described.

The growth of economic organization can be most successfully measured in terms of commercial development. The history of commerce in its widest sense affords a broader basis for generalization than industry: the mechanism for the determination of values affords an accurate measure of the progress of social organization within each community or state; the sphere of influence embraced by organized trade keeps ever present to our minds the persistent interdependence of communities. The process of growth is a development from systems of distribution based wholly or in part upon power and arbitrary fiat to a system founded upon the exchange of values. There is development also from a narrowly circumscribed interdependence of small communities to a world-wide interdependence of large states. Both of these processes consist in a movement from unfreedom to freedom comparable in many respects to the changes so frequently described as the characteristic feature of political life and the history of thought. The increase in the economic freedom of the individual is of two kinds: (1) increase in the area of social contact, and hence greater freedom of physical movement in the world at large; (2) increase in freedom from arbitrary or unreasoned interference. Many acts are prohibited and forbidden in a developed community; but the motive is evident and the necessity of such restrictions understood. Freedom is not the absolute, unconditioned

EPOCHS IN ECONOMIC HISTORY

I. EXCHANGE WITHOUT MEASURED VALUE

(Primitive Society and Semi-historic Period)

The Value Judgment Implicit in Social Life

1. Gift-giving, barter, and primitive trading systems.
2. Growth of systems of measure; weight, length, volume, value.
3. Bazaars and developed barter: Egypt and Mesopotamia.

II. "ISOLATED" MARKETS IN THE MEDITERRANEAN WORLD

(Fifth Century B.C. to Seventeenth Century A.D.)

Opposition between Form and Content

The Antithesis between Town and Country

1. Urban units with dependent rural suburbs.
2. Rise of distinct rural organization; latifundia, village communities, manors.
3. Rise of the mediaeval town: the country remains independent.
4. Formation of small market systems.

The Rise of Cosmopolitan Commerce

1. Northern and southern spheres of commerce.
2. Consolidation under Greco-Roman influence and power.
3. Rise of systematic trade between the semi-tropical East and the manufacturing North:
 - a) Fairs of Champagne and Flanders.
 - b) The second fair system: Lyons, Flanders, Spain, Genoa.

III. WHOLESALE MARKET SYSTEMS IN A WORLD OF OCEANIC COMMERCE

The State and Its World—the Inner and Outer Dualism Made Explicit

Systems of Markets between Capital and Provinces

1. Spheres of influence in the provinces.
2. Rise of wholesale markets in the producing regions.
3. Rise of organized speculation; consuming centers.

Metropolitan Markets as Units of a World-System

1. Protective policies as a means of national integration.
2. Rise of markets for domestic and foreign commercial paper.
3. The Bank of England becomes the center of a system.

freedom of a supposed "state of nature." It is freedom from caprice and custom, an activity subject only to the restrictions of reason. The former conception, which became closely identified with the ideas of economic freedom among the followers of Adam Smith, implies that a state of freedom exists naturally and spontaneously, that it must needs exist unless destroyed or qualified by governmental interference. The doctrine of *laissez faire* is the inevitable deduction from such a conception of freedom; and it would seem that the widespread distrust of governmental activity and regulation might safely be attributed to this source. The Hegelian philosophy is founded upon a conception of freedom that is apparently more closely in accord with the history of political rights and the evolution of thought. Freedom in this system of thought is represented as an achievement. Instead of declaring that "man is born free and is everywhere in chains," the Hegelian says, "primitive man is found enslaved by passion, by superstition, and by armed force: in the process of social evolution he achieves his freedom." Economic freedom, like political and intellectual freedom, is achieved in the course of a long historical struggle. The state is not an obstacle, an unwarranted interference with the "course of nature," but the means by which conscious society wins its freedom. There is a real place for effective government even in a free economic society, but government is not the whole of social life. Evolution is seeking neither a transcendental "superman," nor an equally transcendental state. The development toward freedom is a growth toward a better definition of the relations between the individual and the state. Both must be dominated by the principles of reason which are implicit in the most primitive societies, becoming fully manifest as explicit laws and institutions only in the course of historical development.

The nature of this change will perhaps be more readily understood if we consider two typical illustrations. The fundamental principle of social life is interdependence, both within the unit of social organization and between different units. Even among the most primitive peoples this fact of interdependence is apparent. In his study of *The Silent Trade*, Mr. Grierson speaks of certain tribes whose trade with other peoples is carried on through the

medicine men.¹ The goods to be exchanged are left in a particular spot protected from theft by divers taboos. The other tribes come and make the trade, leaving the goods given in return. To many of the tribes the unknown strangers with whom they trade are supernatural beings—foreign devils. There is thus the fact of interdependence, but no recognition of a common humanity. The equivalence of values in such exchanges was crudely determined. Within the tribe most exchange was reduced to the form of an exchange of presents, so that the fact of trade was not formally recognized. Presents were sometimes supposed to be of equivalent values, but frequently the value of the gift was more closely related to the social importance of the giver than to the worth of the object received in return.

More significant perhaps is the relation between Rome and her provinces. Much of the trade flowing from the provinces to Rome was in fact an annual tribute levied by right of conquest. There was exchange, or at all events commodities were sent to Rome, but the provinces did not send their wares of their own free will, nor did they receive any value equivalent for much that they sent. There are some instances in modern times that are essentially similar, notably the relation between Great Britain and India during the short period of the "Investments" (1772-83). But such a predatory relationship is not characteristic of modern times. Modern trade is a voluntary exchange of values that are as nearly as possible equivalent.

Free interchange of equivalent value has been achieved slowly, because of the difficulty of creating the necessary mechanism. There is need of markets for the determination of values of merchandise, need of uniform laws governing commercial transactions throughout vast stretches of territory, need of devices for the liquidation of the great payments arising in the trade between different populations. The problem of defining economic growth is in a large measure a problem of describing these different aspects of change in relation to each other. There is in addition the necessity of pointing out the relation of the institutions and structure of primitive society to the organization of the city-states of the

¹ P. J. H. Grierson, *The Silent Trade*, p. 44.

Mediterranean world that produce the first conscious descriptions of their own past.

The early period may be described as "exchange without general measured value." Commercial development is from mere exchange to an exchange of values recognized as equivalent and expressed in terms of standardized units of measure. The achievements of this period are the development of weights and measures, of monetary systems, and of an organized market.

The second stage of commercial growth is characterized by the existence of "isolated" markets in a cosmopolitan world. It embraces a period of apparently inordinate length, bringing us from the dawn of history to the seventeenth and eighteenth centuries. But these dates are not inconsistent with indications from many other fields of human thought and endeavor. The changes of the last two centuries have carried Western civilization into a decisively new period of history, of which we as yet see only the first fruits. The general heading of the long second period is designed to emphasize the curious antithesis between an intense localism on the one hand and a broad cosmopolitanism on the other. Classical antiquity and the Middle Ages present both of these contrasts with modern times, and the contrast is as real in the institutional as in the intellectual sphere. The city-state was in form an "isolated" community, but each was characteristically dependent upon the trade of the Mediterranean world. They were self-sufficient in terms of their political structure and in much of their thought; in actuality they were created and maintained by the general conditions of Mediterranean life. In the Middle Ages, this is a little more conspicuously evident. Venice was just such a city-state, in legal theory completely independent. But the stranger that was technically excluded was permitted to dwell in certain designated buildings and by an elaborate set of legal fictions enabled to trade with much freedom. Furthermore, this "independent" state was in fact completely dependent upon the stream of general European trade flowing from the Levant to the industrial districts of Northern Europe. Outside of just such a curious cosmopolitan world these city-states could not have existed. The description of the period thus requires us to trace the growth of the social unit

and of the world in which it had its being. The development of these different aspects of social life leads us into related but distinct problems of economic and social history.

The third period shows us a world composed of metropolitan market systems. This phrase is designed to bring out two ideas: first, that the community grouped around a metropolitan city or a federation of metropolitan cities possesses a kind of functional unity—for many purposes it works as a definite social unit; secondly, that there is a functional recognition of the interdependence of interests with other similar metropolitan cities and their dependent communities. Expressing the idea in the language of the market place, the market has a dual function to perform; it is organized in part with reference to internal needs, in part with reference to communication with the world outside. On the mediaeval markets the stranger had little or no legal recognition. The modern market recognizes frankly its relation to the rest of the world.

If we think of the growth of society in this way, it possesses a real continuity, but consideration of a scheme of periods in the abstract might easily lead us to misunderstand the nature of this continuity. History includes the totality of life, and in our attempts to express its meaning there is a real danger of omitting essential features. The greatest danger lies in our conception of historical continuity. The movement of history partakes of the nature of life itself, and the historian, like the novelist, must avoid arranging events too elaborately. Both must catch "the strange irregular rhythm of life" which Henry James feels so keenly. There is a certain consistency of movement which enables us to conceive of life as a something inherently rational, but nothing is accomplished without struggle. There is an ebb and flow; tendencies assert themselves spasmodically so that the forward movement of history is hesitant, uncertain, and irregular. Certain forms of recession are as much a part of the essence of historical change as the movement forward. This tendency in life is most vividly portrayed in the thematic structure of much modern music. In Wagner's last music drama, the *Parsifal* motif occurs at first in a rather fragmentary form. It is incomplete, and its elements demand further development. It achieves its full expression

slowly, only after the full story of development of the character has been revealed. When the whole course of the story is considered there is an evident consistency of growth, but the growth is not unopposed, and in this opposition lies the explanation of the hesitant and uncertain nature of the process. So when we summarize historical development and present the outline of the changes as an unbroken and unimpeded succession of events, it behooves us not to forget that the entire process of historic growth involves opposition.

It is in this sense that we can find a real continuity of social life between classical antiquity and the Middle Ages. There was in some ways a recession, and yet it was a recession after the manner of the ebb tide—a recession certain to be followed by a succeeding flood. It is no break in historical continuity, merely an evidence of the essential nature of the process of history.

In the periods suggested no place has been assigned to the recognized stages of industrial evolution. It is not desired to imply that such an arrangement of material is unsound in principle nor unimportant, but it would seem that industrial development is subordinate to the general growth of society. It is an old principle that the profitable limits of the division of labor are defined by the extent of the market, and with this principle in mind it is not difficult to relate industrial growth to the expansion of the market. The changes in the market are of two general classes: the development of a general European market for the wares that become associated with the great fair systems; later, the development of what we may call the domestic market. The spread of the northern textiles through Europe and the introduction of the silk industry from the eastern countries resulted in the establishment of the domestic system. The extent of the market for the textile products resulted in an elaborate division of labor and a definite establishment of a capitalist class; but the character of the market for food-stuffs made it necessary to spread the industrial population over as large an area as possible. Under these conditions the characteristic industrial advantage was a surplus food supply. Industry was closely associated with agriculture, and agricultural wealth was the principal factor in the maintenance of industrial superiority.

The full development of metropolitan market systems opened up the entire domestic market to the higher grades of industrial products. Cheaper methods of production brought superior products within the reach of classes formerly obliged to supply their own wants. Improved methods of transportation rendered the predominance of the central market inevitable. Lastly, the possibility of handling larger quantities of foodstuffs, evaluating them with greater certainty, and procuring them from greater distances opened the way to a concentration of industry formerly impossible and to the location of industry with reference to climate, power, and natural resources. Industrial development has been a consequence and result of the changes in the character of the market, and while the relation is close it is not readily shown by schematic arrangement.

The term "metropolitan market system" is intended to describe the modern state in terms of economic structure. It is hoped that this expression will be free from the difficulties involved in the German phrase "national economy," and in the conception of the "domestic market" developed by Mill and his immediate successors. The objections that may be urged against the German phrase are the undue emphasis laid upon policies, the implication that the boundaries of the state necessarily have a close relation to economic organization, and the failure to give due proportion to the relations of the state with the outside world. The conception of the "domestic market" raises another set of difficulties. Mill seeks to establish a distinction between the domestic and the foreign market with reference to the general principles of valuation. The "domestic market" was subject to a régime of values determined primarily by cost of production under conditions of free competition. Trade with the outside world was based upon the principle of comparative costs because there were so many obstacles to freedom of competition. To enumerate the criticisms of this point of view would be to write a history of the economic thought of the last thirty or forty years. Cairnes's conception of non-competing groups, the "utility" theories of value in their Austrian and in their English and American forms, the rise of combinations, monopolies, and other arrangements designed to qualify or destroy

"free competition," the increased mobility of capital and labor, all these varied factors make it impossible to attach much weight to Mill's distinctions. We no longer think of international trade as a distinct problem in value, and we are very skeptical about the existence or significance of free competition at home or abroad. But it is still evident that the commercial and economic problems of the home market are in many ways distinctly individual, and that there is a sufficient community of interest in the domestic area to warrant our treating it as a unit.

One of the most characteristic features of the last two centuries has been the rise of the great capital cities. Political, commercial, and industrial factors have all contributed to their growth and to their place in the community. If we compare the town life of the Middle Ages with modern urban life, we find that in the Middle Ages there were many towns of co-ordinate importance and scarcely any with a distinct preponderance. Today towns and cities are grouped in a sort of hierarchical arrangement about the great metropolitan centers which really dominate the social, economic, and political life of the entire area subject to their influence. They dominate their provinces no less completely than Rome in the time of Augustus, but the domination has no element of military force associated with it. The capital is maintained by a flow of trade, an exchange of equivalent values, and not by a tribute exacted by disciplined legions. The existence of such metropolitan centers is thus a distinctively new feature of institutional life, and it would seem that it is a sufficiently significant fact to be deemed the distinguishing characteristic of the new social fabric that is gradually taking form around us.

In tracing the rise of this metropolitan system it is necessary to draw a distinction which Schmoller expressed as a "territorial economy." This may be described as a "metropolitan sphere of influence." It is distinguished from the fully organized "metropolitan market system" with reference to the relation between the capital and the provinces. In the earlier period the capital is an industrial and commercial center which receives food and raw products from the provinces. It is an *entrepôt* for certain foreign wares that are to be sent to the provinces, but commercial movement

is usually toward the capital. The development of the full machinery of the modern market system makes the capital a general distributing-point. The trade of the capital is not merely its own particular trade in food, raw products, and transit of merchandise; it serves as a center for the concentration of much purely inter-provincial trade. Goods are sent thither to be valued and distributed, perhaps even throughout the area of their production and manufacture. These changes are closely related to the industrial concentration characteristic of the period. Manufacture is highly centralized; valuation and distribution are also centralized.

The rise of centralized banking systems and the organization of the great financial markets in the metropolitan cities present another aspect of their predominant influence in directing the affairs of the community as well as affording the means of systematic commerce with other countries. The simplification of the difficulties of making payments for the wholesale trade of the country can hardly be appreciated unless some study is made of the cumbersome movements of credit and specie in the seventeenth and eighteenth centuries. The rise of a central market for bills of exchange did much to obviate the inconveniences of many shipments of specie that were such a frequent cause of apprehension to the commercial community at that time. The purely financial disturbance gave rise to complaints that are easily confused with the so-called "mercantilist" conceptions of the time.

If these distinctions are tenable, the essence of the individuality of the basic units of modern social life lies neither in political purposes nor in different principles of valuation. From the point of view of commerce and industry, nations are structurally distinct. They are definitely interdependent, but because of topographical, political, and historical factors they are organized in systems of markets which have peculiarly close relations with each other. In France and in England this metropolitan system has apparently achieved a high degree of stability, revealing already the forms that are likely to endure for a considerable period. In Germany and in the United States the economic structure seems less finished. There are many evidences of instability and much is still uncertain. These forms of organization are after all very new, and there is no

reason to believe that we can yet see more than the larger outlines of what is apparently a significant change in the structure of society.

These changes result in a constantly increasing adaptation of each society to its physical environment. In the classic world topography exerted but a slight influence. Some cities were located with reference to commerce and ease of access; more frequently cities were located in places that were not too easy to reach. Plato desired to locate the city for which the *Laws* were prepared in some place not absolutely cut off from the rest of the world, but as nearly isolated as possible. Considerations of safety made the location of cities just a short distance from a nodal point perhaps the characteristic feature of ancient life. Neither in the way nor out of the way was the classic motto. In the Middle Ages the towns were more closely related to the trade routes that developed along the lines of least physical resistance. Points of intersection, or nodes, as Mackinder calls them, became the characteristic factor in the growth of towns. But throughout the Middle Ages historical accident played a prominent part in the rise and fall of towns. The location of the fairs of Champagne is perhaps the most notable instance of the influence of purely political factors upon commercial development. The migrations of the "fair of Besançon" in the sixteenth century is another illustration. But the character of the topography of the country as a whole exerted a persistent influence. The brilliant description of the geography of France and its relation to Paris, by Vidal de la Blache,¹ together with the similar study of the geography of England, by Mackinder,² constitutes a significant basis for the study of the rise of Paris and London to their present positions. The relation of Berlin to the physical features and trade routes of Germany presents a more complicated problem, but there is evidence of a definite relation between the physical features and the economic structure of society. Modern society is elaborately conditioned by its physical environment. It is easy to express such relations in the infelicitous language of absolute determinism, but it is not necessary to accept a purely

¹ E. Lavisse, *Histoire de France*, Vol. I, Part I (Paris, 1903).

² H. J. Mackinder, *Britain and British Seas* (London, 1902).

materialistic interpretation of history in order to recognize facts that are becoming increasingly important.

In a discussion of any phase of evolution much must needs be said of growth and change. The many crude descriptions of growth in terms of a purely mechanical transformation require us to consider carefully what we mean by these terms. The purely metaphysical discussion has a long history and is too elaborate to be treated at length.¹ But we must needs reach some definite judgment on a number of questions. What is the nature of change? Is it a mere unfolding of something already present, or does something distinctly and entirely new come into being? Hegel would have said that the future is implicitly present in the events themselves. The process of growth was to him a passage from being implicitly present to explicit and acknowledged existence. Bergson feels that we can hardly admit that all of the future is contained in the stream of life. Much must needs be present by implication, but he feels that something distinctively new is added. He is rather skeptical on the subject of the conservation of energy and the absolute indestructibility of matter. New energy may be acquired in the process by which the *élan vital* makes itself manifest in the world.

In addressing ourselves more definitely to the problems of social evolution, these same general distinctions are evident, but they appear somewhat obscured in form. Social development is, in part at least, a process by which relations that were at one time merely implied or unrecognized are acknowledged and given full

¹ See particularly Bergson, *Creative Evolution* (New York, 1911); L. E. Hobhouse, *Development and Purpose* (London, 1913). It is difficult to refrain from comment on the latter suggestive and helpful book. There is a singularly felicitous union of metaphysical power and historical perspective. There is the keen realization of the value of abstract thought and a fondness for the manifold variety of history, perplexing as it may seem. It is significant also to note the relation of this work to the Hegelian thought: "It seemed to me," says Mr. Hobhouse, "that, details apart, the Hegelian conception of development possessed a certain rough empirical value. . . . Further, if this conception was interpreted in terms of experience, it indicated a point of union where one would not expect to find it, between the Idealistic and the Positivistic philosophy" (p. xix). The conceptions of this present essay have been largely influenced by the Hegelian writings, especially the *Logic* and the *Phenomenology*, and it is hoped that the results will suggest the possibility of bringing this complicated aspect of economic development into harmony with other tendencies in social growth.

legal standing in the body of law. It would seem also as if some new relations came into being: new social problems arise, and, although not entirely unlike the problems of the past, they contain elements of novelty.

Social evolution involves the additional problem of consciousness. The process is accomplished by conscious human agency. In a sense, we may agree with Schmoller that the state is the instrument by which social growth is accomplished, but the agency of the state does not seem to be exerted in the way that Schmoller suggested. In his presentation the significant decisions of statesmen are the matters of high politics involved in the execution of the mercantilist policies. The great statesman molds the body politic as the sculptor molds the clay of his model. He shapes it according to his will. But the most powerful prince cannot direct the course of history in such a manner. Great reforms may be accomplished, but they are not accomplished by the fiat of a pen, although we frequently choose to identify the accomplishment with some single decision. Great changes are brought about slowly. The dramatic moments of history do not tell the whole story. The 4th of August, 1789, would have meant nothing to France apart from the minute and persistent changes in the social fabric that had already occurred. The famous scene gathers up in a significant manner all that preceded, but it is only a part of the entire process. If we would know more intimately the nature of historical growth we must study events that are less dramatic, and occupy ourselves not only with the famous statesmen but also with the humble administrative officials, lawyers, and citizens.

Once we leave the field of high politics, too, we find that historical growth accomplishes itself in ways not unrelated to the general forms of change. Many things that are merely implicit are recognized under the cover of legal fictions, until the fiction can be discarded. Many acts which were done without legal recognition or despite legal prohibitions come within the pale of law. All such change is transition from the implied to the explicit. When new social relations and problems arise they become definite institutions by means of "interpretation" or by substantive enactment.

The significance of legal fictions will be familiar to all readers of Sir Henry Maine's works, but it may not be amiss to suggest an illustration directly related to our subject. The mediaeval town was in theory an autonomous legal entity. A stranger had no legal rights, whether to residence or to legal protection of proprietary rights. But strangers lived in foreign towns for long periods of time and traded with considerable freedom. This was accomplished by the legal fiction of the consulate. In Venice, in the Flemish towns, in London, and elsewhere, special buildings or groups of buildings were designated as a foreign jurisdiction. The area was physically a portion of the town, but it was subject to a different law. The theory of legal isolation and independence was thus maintained without interfering seriously with the trade that was technically unrecognized. In strict theory the town was closed to outsiders, as Schmoller suggested, but in fact the gates were open. By means of the legal fiction the fact of interdependence was covertly recognized. When this fact became definitely predominant the old fabric was swept away and the freer system definitely admitted to be a characteristic feature rather than a mere exception to the rule.

Much social growth is accomplished by according legal recognition to arrangements that appear spontaneously in social life outside the legally constituted institutions. The growth of deposit banking in Venice and later in England would perhaps illustrate this process. Chapters in the history of the Bank of England would also be significant. Responsibilities to the banking system of the country arose as a fact, and even today the position of the bank is as largely determined by custom as by any actual statute. When such new developments must needs be brought within the body of law, the means at hand are substantive laws or the interpretation of existing laws in such a way as to include the new situation within their scope. The doctrine of interpretation contains many interesting suggestions. In theory nothing new has happened: no contingency has arisen that is outside the law; old principles are applied to slightly different circumstances. None the less, distinctively new things come into being by just such a process. A significant illustration is afforded by the relation of the

bill of exchange to the decision of Baldus. Documents similar to the modern bill had been common for some time, but there had been much doubt as to the liability of the maker of a protested bill. Baldus decided that there was an implied obligation, and, from that time, the bill became an important commercial document. The decision was a significant step in the evolution of modern society. It was only a part of a long process, but for that reason it suggests the nature of the changes that constitute the movement of social evolution. These less dramatic moments are a fundamental part of the history of society, and although they have none of the alluring intensity of the moments of high politics, they lead us nearer to the daily activities of the community and frequently bring us closer to the full meaning of social life. It is in the midst of these events that we find that strange irregular rhythm of life which we endeavor to describe as an evolutionary process.